

Lender Qualifications

2.1

Overview

- A. Multifamily Accelerated Processing requires Lenders skilled in underwriting multifamily housing loans and in the preparation of an application for FHA multifamily mortgage insurance. To provide HUD some assurance that MAP Lenders are qualified for their responsibilities, MAP requires a Lender to be approved by HUD's Office of Quality Assurance, hereafter called OQA..
- B. Approval of a MAP Lender by OQA is on a nationwide basis, so that the MAP Lender may apply to process loans using MAP regardless of which HUD Multifamily Hub or Program Center will be processing the loan. By accepting the opportunity to use MAP, a MAP Lender agrees that its MAP loans will be subject to post-endorsement review by the OQA. Moreover, the MAP Lender agrees that if it fails to meet HUD standards for underwriting loans, its MAP designation may be terminated. Qualification is continuing unless terminated in accordance with Sections 2.10–2.15 of this chapter.
- C. Approval by OQA as a MAP Lender is a prerequisite for the Lender, but MAP approval does not obviate the need to have an experienced team on each application.
 - 1. Each time that a MAP Lender applies for mortgage insurance on a multifamily loan, the HUD office reviews the qualifications of the Lender's principal staff members or consultants who will be reviewing or preparing the borrower's loan application. Principal staff and consultants means the Lender's staff underwriter who will sign the underwriting summary, the person who will prepare the appraisal and market study, the person who will review the cost figures, and the person who will review the developer's architectural plans and specifications. The Hub or Program Center retains the right to reject, for reasons given in writing, any member of the Lender's team for the particular loan application. The technical chapters of this Guide discuss reviewer's qualifications.
 - 2. Names and resumes of the appraiser and/or market analyst should be submitted as soon as possible prior to the pre-application. The names of the architectural analyst and cost analyst should be submitted prior to the application for a Firm Commitment. For refinancing or purchase, the appraiser's resume should also be submitted prior to the application for the Firm Commitment. HUD has up to ten business days, after receipt of the names, to reject any principal staff member or consultant. If there is no notice from HUD within those ten days, the names are approved.
- D. This Chapter covers, in Sections 2.2–2.7, the requirements imposed on Lenders so that they qualify to submit applications as MAP Lenders. Sections 2.8–2.9 briefly discuss the post-endorsement monitoring of MAP loans. Sections 2.10–2.15 describe termination of authority to use MAP, and it covers probation, which is a step short of termination.

2.2**Lender Qualifications**

- A. HUD will announce a date after which OQA will accept applications for approval as MAP Lenders. The announcement will also give the address and telephone number of OQA.
- B. The Lender prepares the application for approval as a MAP Lender. There is no required form for this application. Upon receipt of all the information specified in Section 2.6, OQA has a goal of 30 days to act on the application.
- C. The Deputy Assistant Secretary for Multifamily Housing will approve in writing each MAP Lender. The letter of approval accepted by the Lender constitutes an agreement between the Lender and HUD. The names of approved Lenders are posted by OQA on the Internet.
- D. OQA may, instead, disapprove an application on the grounds that it has failed to meet the standards set forth in Section 2.3 of this chapter or that it has failed to provide sufficient information required in Section 2.6 of this chapter. OQA may decide not to allow the Lender to participate in MAP until specified deficiencies are corrected. An appeal of a decision by OQA to disapprove an application may be made to the Deputy Assistant Secretary for Multifamily Housing.
- E. If the Lender's approval has been terminated, the Lender may not reapply for 12 months after termination. The Lender has an appeal of termination as stated in Section 2.10.B.

2.3**Standards Required for Qualification**

Qualification as a MAP Lender is not intended to be a difficult or time-consuming process. It requires evidence that the Lender is an FHA-approved multifamily mortgagee, that it is financially sound, that it has on staff a principal employee or principal employees with multifamily underwriting experience, and that its record with FHA-insured or conventional multifamily loans has been satisfactory. The requirements are discussed in this section, as follows, and the required application exhibits are listed in Section 2.6, Application Package.

- A. Evidence that the Lender is an FHA-approved multifamily mortgagee must be submitted.
- B. The Lender must submit the most recent financial statement filed with the Federal Housing Administration which shows its net worth in excess of \$250,000.
- C. The Lender must not be subject to judgments in administrative claims or in lawsuits which would seriously affect its ability to do business. It must not unlawfully discriminate. Section 2.6 requires the Lender to report any lawsuits or judgments against it within the past three years. This includes any lawsuits or judgments of discrimination in employment or in lending practices.

- D. Multifamily underwriting experience on staff is a key to MAP approval. The Lender must identify and have on staff a person or persons with at least three years of recent experience in multifamily underwriting. Over the three years the underwriter must have worked regularly in the multifamily lending business and have underwritten at least three loans which have actually been funded. The Underwriter must attend a MAP training session conducted by HUD before submitting an application or pre-application. An FHA mortgagee will not get MAP approval when it hires a multifamily underwriter on a contract basis for a particular loan application.
- E. In connection with its application showing experience of staff, the applicant must identify those persons who have the authority to underwrite loan applications under MAP and will sign the narrative summary in a loan application. The applicant must also identify the ownership of the Lender and also identify whose signatures may bind the Lender for any of its responsibilities under MAP.
- F. FHA multifamily experience is not specifically required for initial approval as a MAP Lender, but, if the Lender lacks FHA experience for qualification, additional emphasis will be placed on consistent and recent conventional multifamily lending experience. For any loan processed under MAP, the Lender must thoroughly understand FHA requirements for multifamily mortgage insurance.
- G. A reason for rejection of an applicant for MAP qualification may be that the applicant has a recent history of assignments of FHA-insured loans. The reason for the assignment or assignments is subject to the evaluation of OQA. Causes of assignments are difficult to measure because of the variety of reasons for assignments, such as unpredictable economic changes in the area, inadequate servicing or poor quality underwriting. OQA will look primarily at any loan which the applicant has underwritten within the previous five years and which, since the loan was endorsed, has been assigned to HUD for insurance benefits. The purpose is to determine whether or not the applicant has been at fault in its origination of a loan that did not perform satisfactorily.
- H. The applicant will submit a list of the Multifamily Hubs and Program Centers with which it has worked in the previous two years. OQA will contact those Hubs or Program Centers to determine the experience of the Hub or Program Center in previous work with the applicant. Responses of the Hubs or Program Centers will be part of the file of OQA for the particular applicant. A pattern of unsatisfactory applications for mortgage insurance at one or more Hubs or Program Centers may be grounds for rejection of the applicant as a MAP Lender.

2.4**Electronic Capability and Internet Access**

HUD will post information on the Internet and will transmit messages to Lenders and to the lending community by e-mail, often with attached documents. Much of the information required by HUD may be submitted electronically. Therefore, it is a requirement that the Lender have Internet access and the capability of receiving and sending documents.

2.5**Identity of Interest**

No financial or family relationship is permitted between an officer or partner of the MAP Lender, its principal staff or contract employees working on a particular application and, an officer, Director, or partner of the sponsor, the mortgagor, the principal of the mortgagors, the general contractor, subcontractor, or the seller of the land or property. If there is a question about whether or not there is an identity of interest between the Lender and the mortgagor, contractor, and others, the facts should be disclosed and discussed with the staff and legal counsel at the processing Hub or Program Center.

2.6**Application Package**

No form has been developed for an application for approval as a MAP Lender, but the information submitted should include the following:

- A. Exhibit A. Name of applicant, address, employer identification number, contact person or persons, telephone and fax number, e-mail address, branch offices for multifamily business with address, telephone and e-mail address.
- B. Exhibit B. List of names and titles of those who are authorized to bind the Lender in matters involving the application, underwriting and origination of insured mortgages under MAP.
- C. Exhibit C. Type of mortgagee, (e.g., supervised or non-supervised) type of legal structure (e.g., general corporation, limited liability corporation, partnership, housing finance agency or other), whether or not a subsidiary of another company and, if so, identification of the parent company.
- D. Exhibit D. Copy of letter of approval/HUD approved Form HUD-92001 evidencing approval as an FHA approved multifamily mortgagee as well as the copy of the most recent Yearly Verification Report submitted to the Lender Approval Division.
- E. Exhibit E. Copy of most recent financial statements submitted to HQ Lender Approval Division (not applicable to supervised mortgagees).

- F. Exhibit F. Narrative discussion of the applicant's method of operation in multifamily lending. This would include whether or not it acts as a mortgage banker servicing loans, or an originator selling commitments or loans to others, whether it originates or holds loans in its portfolio of purchases loans from others, or both, experience in construction loan administration, the number, location and staffing of branch offices it operates, and any other information the applicant deems relevant in providing a clear picture of its business.
- G. Exhibit G. Experience of the applicant in multifamily loan or origination, both conventional and FHA insured. List the FHA insured loans for which applicant has received firm commitments in the last 5 years and the number, name, location, original amount, HUD Office where processed and whether or not the loan is in default, an election to assign the loan to FHA for insurance benefits has been filed or the loan has been assigned to FHA. The extent of conventional lending may be summarized rather than listing each conventional mortgage originated in the last 5 years. It is important to cover the summary the extent of conventional multifamily experience, the estimated extent to which construction loan financing was involved and the number and percentage of defaults and foreclosures. If an FHA or conventional loan was sold since origination and is serviced by another lender, please list it. Please report, if you know, whether or not the sold loan is in default, foreclosure or if assigned to FHA for insurance benefits. Default for these purposes means a loan whose payment is more than 60 days overdue.
- H. Exhibit H. Narrative discussion explaining any elections to assign FHA loans for insurance benefits where initial endorsement of the FHA loans occurred after May 1, 1995.
- I. Exhibit I. Resumes of the staff who will be responsible for the applicant's submission of a MAP loan application which demonstrate that the staff has the required multifamily experience. Underwriter(s) must evidence a minimum 3 years recent experience, worked regularly in the multifamily lending business and underwritten at least 3 loans which have actually been funded. If multifamily experience is all conventional, provide evidence of understanding of FHA multifamily mortgage insurance origination requirements.
- J. Exhibit J. Experience in construction loan administration if intending to perform construction loan administration. Identify those persons authorized to sign advances, construction change orders and escrow releases.
- K. Exhibit K. Information regarding:
1. Lawsuits/claims/judgments filed or issued in the last 3 years against the applicant.
 - a. Which concern equal employment or Lender discrimination prohibited by law, or
 - b. Which are a result of, or might affect significantly affect its multifamily lending business.
 2. Any criminal charges brought against the applicant related to the mortgage lending business.

- L. Exhibit L. Certification by the Lender that it will certify with each preapplication and application for mortgage insurance that it is in compliance with the identity of interest provisions in the MAP Guide which will provide that, “No financial or family relationship is permitted between an officer, director or partner of the MAP lender, its principal staff or contract employees working on a particularly application and an officer, director or partner of the sponsor, the mortgagor, the principals of the mortgagor, the general contractor, subcontractors or seller of the land or property.”
- M. Exhibit M. Agreement that the Lender will open its files and records on FHA applications to monitoring by HUD staff, including the office of Inspector General.

2.7**Limitation on Requirements**

- A. There is no requirement for additional net worth requirements for a MAP Lender. All FHA-approved multifamily Lenders must have an adjusted net worth of not less than \$250,000.
- B. There is no fee required by HUD for qualifying (or deciding not to qualify) a MAP Lender.
- C. There is no requirement that approved MAP Lenders notify OQA if there has been a staff change. MAP Lenders are expected to maintain or improve the level of experience or the number of experienced staff members. The OQA does not approve or disapprove of individuals working for MAP Lenders, but expects the MAP Lender to be certain that its staff meets the qualifications. If, for example, the Lender loses its staff underwriter, it must immediately replace him or her.
- D. MAP Lenders must notify OQA if there has been a change of address of the home office for multifamily business, e-mail address, telephone number, ownership, or if the Lender has a material change in the way of doing business. MAP Lenders must also notify OQA if they withdraw as MAP Lenders, whether temporarily or not.

2.8**Agreement to Accept Monitoring**

The applicant for MAP Lender approval agrees that, if it is approved, it will make its files and records available to HUD or HUD’s authorized contractors for such monitoring of MAP processed loans as HUD wishes to make. The origination files should be maintained for 10 years by the Lender even though the loan itself may be sold to another entity. OQA will provide further information at a later date regarding files to be retained.

2.9**Monitoring by OQA**

- A. MAP Lenders are subject to monitoring and periodic on-site reviews by OQA to verify for MAP HUD committed loans in processing by the Lender or HUD endorsed that:
 - 1. The Lender adheres to statutory, regulatory and MAP Guide requirements.
 - 2. The Lender's underwriting decisions are consistent with HUD requirements in the MAP Guide.
 - 3. The Lender's technical processing is consistent with HUD requirements in the MAP Guide.
 - 4. The Lender has complied with the conditions of the Firm Commitment and the requirements of initial endorsement (and final endorsement).
 - 5. The Lender has complied with the requirements of construction loan administration set forth in the MAP Guide.
- B. OQA will not begin reviews of origination documentation until two months after the Lender's first MAP application has been endorsed for mortgage insurance. Any loan reviewed, however, may still be in the construction or rent-up stage.
- C. If there has been fraud or misrepresentation, HUD reserves its legal rights under the contract of mortgage insurance and Mortgagee Review Board requirements.
- D. The review by OQA is not a substitute for other periodic audits and reviews by HUD, including a financial management review and a review of the Lender's quality control plan as required by HUD Handbook 4060.1 "Mortgagee Approval Handbook."

2.10**Termination or Probation of a MAP Lender: Overview**

- A. By authorizing a MAP Lender to prepare much of the documentation for a loan submission for mortgage insurance, HUD places confidence in the Lender's integrity and competence. If in the process of performing this work, the Lender places HUD at risk, HUD needs to terminate the Lender's authority to use the MAP process as quickly as possible. If a Lender's authority to use MAP is terminated, the Lender may still have loan applications for mortgage insurance processed in the traditional way by HUD staff.
- B. The decision to terminate a Lender will be made by a three-member panel of HUD officials, called the MAP Review Panel. Recommendations for termination or probation will come either from OQA, on the basis of its monitoring responsibilities, or from a Hub Director, on the basis of the Lender's performance. A Hub Director's recommendation for termination should be sent to the Director of OQA for review before going to the MAP Review Panel. When the Review Panel makes its decision for termination, the decision takes effect immediately and the industry and Hub offices are notified by a posting on the web. There is,

however, an appeal allowed to the Deputy Assistant Secretary for Multifamily Housing who may confirm, modify, or overturn the Panel's decision.

- C. OQA or a Hub Director may place a Lender on probation for inadequate underwriting or poor construction administration which does not seriously affect HUD's risk of loss, but needs to be corrected. Probation is limited by time or conditioned upon the Lender meeting a specific requirement or requirements to the satisfaction of OQA or the Hub Director. Prolonged probation may lead to a recommendation for termination.

2.11

MAP Review Panel

- A. The decision to terminate approval of a MAP Lender shall be made by a MAP Review Panel. The Panel shall consist of three HUD officials designated by the Deputy Assistant Secretary for Multifamily Housing. The three officials may serve on a continuing basis or may be chosen for the particular review, as the Deputy Assistant Secretary for Multifamily Housing determines. No Panel member shall also be the Hub Director making the recommendation. Neither the OQA Director nor OQA staff shall be eligible as Panel members. Panel members are expected to have a good knowledge of multifamily housing origination and underwriting procedures. Panel members shall have no prior business affiliation or other conflicts of interest with the Lender under review.
- B. The Panel is charged with an impartial review of the information submitted by the Director of the OQA or by the Hub Director through the Director of OQA. It may request further information from the Director of the OQA or from the Hub Director. If it chooses, it may invite, receive and review information submitted by the Lender.
- C. It should be noted that MAP Review Panel's deliberations are not intended as an administrative hearing. MAP approval represents an agreement between HUD and the Lender to allow a Lender to use accelerated processing. The agreement may be terminated voluntarily by the Lender, or HUD may terminate that opportunity if it believes that the Lender has breached its responsibilities under MAP.
- D. A prompt decision is important. When the MAP Review Panel has received the information that it needs, it has a goal of making its decision within ten working days of the receipt of the information.

2.12

Recommendations for Termination

- A. A Hub Director may discuss with a MAP Lender at any time any reasons HUD has to consider improvements necessary to assure that the Lender is using its MAP authority correctly. If the Director determines that there are serious concerns about the Lender's underwriting, but HUD's risk is not directly and adversely affected, the Director may put the Lender on probation, discussed in Section 2.16, below. If the Director believes that there are

serious concerns about the Lender's underwriting and that HUD's risk will be directly and adversely affected, the Director may make the recommendation for termination to the Director of OQA for review and submittal to the MAP Review Panel. The Program Center Director recommendation goes to the Hub Director (see Section 2.12.C) for recommendation.

- B. As a result of its review of loans already committed, the Director of OQA may also place a Lender on probation when the review of the Lender's documentation, or lack of documentation, for the pre-application stage or the application for a Firm Commitment indicates reasons for serious concern that does not adversely affect HUD's risk. If the serious concerns directly and adversely affect HUD's risk, the Director of OQA may make a recommendation to the MAP Review Panel for termination.
- C. Although a Program Center Director may initiate a recommendation for probation or termination, that action for probation or recommendation for termination must be made by the Hub Director responsible for the Program Center.
- D. Reasons for serious concern about the Lender's underwriting will be determined by the Hub Director or the Director of OQA, but may include the following examples, particularly when there is a pattern or practice of unacceptable performance over several applications:
 - 1. Failure to provide required exhibits or the submission of incomplete or inaccurate exhibits. Although the Lender will be permitted to correct minor errors or provide additional information, substantial inaccuracies or lack of significant information will result in a return of the application and retention of any fee collected.
 - 2. Preparation of an underwriting summary that is not supported by the appropriate documentation and analysis.
 - 3. Failure to notify the HUD processing office promptly of changes in the mortgage loan application for a Firm Commitment submitted, such as change in rents, numbers of units, or gross project area.
 - 4. Failure to meet MAP closing requirements or construction loan administration requirements.
 - 5. Fraud or misrepresentation.
 - 6. Repeated failure to complete processing to Firm Commitment.
 - 7. Evidence that a Lender's inadequate or inaccurate underwriting was a cause for assignment of an FHA-insured mortgage loan for insurance benefits.
- E. Post-endorsement monitoring, discussed in Sections 2.8–2.9 of this chapter, may result in a recommendation by the Director of OQA that the Lender's MAP designation be terminated.

2.13**Effect of Probation and Termination****A. Probation**

1. As noted in the previous section of this chapter, the Hub Director or the Director of OQA may place a Lender's MAP designation in a probationary status. Probation is limited by time or conditioned upon the Lender meeting a specific requirement or requirements, such as replacement of a staff member, or both. When the specific requirement or requirements are met to the satisfaction of the Director placing the Lender on probation, the probation period may be ended and the Lender may resume its activities and responsibilities as a MAP Lender.
2. During the period that a MAP Lender is on probation, it may not submit materials for new pre-application reviews or new applications for Firm Commitments for FHA multifamily mortgage insurance under MAP. It may, however, continue to process applications which were initiated by the submission of exhibits to a HUD processing office prior to the probation date.
3. Probation shall last until the problems justifying probation are corrected to the satisfaction of the Hub Director, or, if probation has been imposed by the Director of OQA, to the satisfaction of the Director of OQA.
4. Probation initiated by a Hub Director is limited to the Lender's activities in the geographical area of the Hub and its Program offices. Probation initiated by the OQA Director shall be on a national basis unless the OQA Director determines that probation should apply only in a geographically restricted area. Notice of probation, whether limited to a geographical area or national, shall be posted on the web. When probation is lifted, that information shall also be posted promptly on the web.

B. Termination

1. As noted earlier in this chapter, either the Hub Director or the Director of OQA may make a recommendation to the MAP Review Panel for termination of a Lender's MAP approval. The Hub Director's recommendation for termination is forwarded to the OQA Director for review and forwarding to the MAP Review Panel. When the Review Panel makes a decision for termination effective on a specific date, the MAP Lender may not initiate any new applications for FHA multifamily mortgage insurance under MAP, including exhibits for a pre-application review. Any pending applications which are being processed at the time of termination may no longer be processed under MAP. The Lender will either have to transfer the application for processing to another MAP Lender or continue with the application using traditional HUD processing. If traditional processing is used, the Hub or Program Center may require that the process start from the beginning.
2. An application for reinstatement of MAP authority may not be made until at least 12 months after the date of termination. The requirements for reinstatement shall be similar to initial qualification, discussed in Sections 2.3 and 2.6 of this chapter, and the applicant must show that the problems which led to termination have been resolved to the satisfaction of OQA.

2.14**Appeals**

- A. When a MAP Lender has been placed in a probationary status, it may appeal this decision to the Deputy Assistant Secretary for Multifamily Housing. When a MAP Lender's approval has been terminated by the MAP Review Panel, the decision of the Panel may be appealed to the Deputy Assistant Secretary for Multifamily Housing. The request for the appeal must be made within 30 calendar days of the date the Lender was either placed in probation or the effective date for termination as determined by the MAP Review Panel.
- B. If the decision is appealed, the Hub Director, OQA Director, or MAP Review Panel will present to the Deputy Assistant Secretary for Multifamily Housing the evidence on which the Director or Panel made its decision, and the Lender may present such relevant evidence as it wishes. The presentation of evidence and any other relevant information shall be submitted with 30 days of the Lender's request for review. The Deputy Assistant Secretary will make his or her decision within 30 days after receiving the evidence from the Panel or the Director.
- C. If the Deputy Assistant Secretary for Multifamily Housing reverses the Panel's or Director's decision, the Lender shall immediately return to an active status as a MAP Lender. The active status of the MAP Lender will be posted on the HUD web.

2.15**Referral to the Mortgagee Review Board or the Inspector General**

If the OQA or the Hub Director determines that a MAP Lender's actions or failure to act appears to be a compliance matter justifying action by the Mortgagee Review Board to penalize the Lender, including possible removal of its authority to do business as an FHA Lender, a referral of the matter should be made to the Mortgagee Review Board. If the issue involves possible fraud, misrepresentation or other criminal violations, then the matter should be referred to the Office of Inspector General.